

LYNCHBURG CITY COUNCIL REPORT

Meeting Date: January 15, 2002

Council Report # 5

Contact: Michael W. Hill (847-1307 ext. 293)

Report Writer: Michael W. Hill (847-1307 ext 293)

Subject: Tax Relief for the Elderly and Permanently and Totally Disabled

Purpose of Action:

- To consider a request to amend the City Code to increase the income eligibility limitation for tax relief for the elderly and permanently and totally disabled from \$23,000 to \$27,000.

Requested Action: Consider adopting and ordinance amending the City Code to increase the income eligibility limitation for tax relief for the elderly and permanently and totally disabled from \$23,000 to \$27,000.

Funding: Not Applicable

Prior Action: November 27, 2001: City Council Work Session

Attachments: Applicant Income Distribution Chart
Applicant Net Worth Distribution Chart

Resolution:

Consideration of adopting the attached ordinance

002L

Other Information:

Background

- Since 1974, the City of Lynchburg has provided a program of Tax Relief for the Elderly and the Permanently and Totally Disabled.(Section 36-175 of the City Code)
- Applications are filed each year from January 1 to May 1through the Office of the Commissioner of the Revenue to determine those eligible for tax relief for the ensuing fiscal year.
- Typically, by the end of August, the Commissioner of the Revenue certifies those qualified applicants to the Department of Financial Services.
- The current practice has been to apply the pool of qualifying applicants to the Schedule of Exemptions allocating all budgeted funds for this program. This allocation process provides the highest relief to those with the lowest income and net worth and progresses to those with the highest income and net worth receiving lower tax relief.

Current Program

- The Council-adopted Budget Policy requires a bi-annual evaluation of the Tax Relief for the Elderly and Permanently and Totally Disabled program.
- Current local qualifications are:
 - ◆ Applicant must be 65 or older or permanently and totally disabled.
 - ◆ Applicant's gross income must be less than \$23,000.
 - ◆ Applicant's net worth must be less than \$60,000. Net worth excludes the house and one acre of land.

- Current State qualifications are:
 - ◆ Must be 65 or older or permanently and totally disabled.
 - ◆ Gross income must be less than \$50,000.
 - ◆ Net worth must be less than \$100,000. Net worth excludes the house and one acre of land.
- Most recent local changes:
 - ◆ FY 1991- Net worth limit increased from \$50,000 to \$60,000.
 - ◆ FY 1998- Gross income limit increased from \$19,000 to \$23,000.

Observations

- The number of qualifying applicants has been relatively level with a declining trend the last three years.
- Since 1998, social security payments have increased approximately 15%.
- Because of social security increases, some existing and potential applicants have been disqualified as a result of the current income limit of \$23,000.
- It is unknown how many potential applicants exist and do not apply as a result of the current income limitation.
- The population demographics of the City are indicating an increasing elderly population, which suggest an increasing applicant pool.

Recommendation

Since FY 1991, the number of applicants has steadily declined. Given the City's increasing elderly population, staff is inquiring if City Council is interested in adjusting the income limitation for tax relief. Of the two eligibility criteria, income and net worth, the current income limitation may be reducing the applicant field. The following recommendation is presented for City Council consideration:

- Increase the current income limitation to \$27,000 beginning January 1, 2002. Based on the cumulative 15% increase in Social Security since January 1, 1997 ($\$23,000 \times 1.15 = \$26,450$, rounded to the next thousand, \$27,000).
- Since net worth excludes the house and one acre, no changes in the net worth limitation are recommended.

Budget Implication

During the development of the annual operating budget, City Council establishes the annual funding for this program based on a staff recommendation. Changes in eligibility criteria would likely result in an increased number of applicants. With the potential for a larger applicant pool, the same amount of tax relief would be allocated over more taxpayers; thus, some applicants may see a reduction for relief previously provided. Of course, if additional funds are budgeted for tax relief, a potential reduction in tax relief to existing applicants could be minimized.

AN ORDINANCE TO AMEND AND REENACT SECTION 36-175 OF THE CODE OF THE CITY OF LYNCHBURG, 1981, THE AMENDED SECTION RELATING TO AN EXEMPTION OF REAL ESTATE TAXES ON THE PROPERTY OF CERTAIN ELDERLY AND DISABLED PERSONS.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF LYNCHBURG:

1. That Section 36-175 of the Code of the City of Lynchburg, 1981, be and the same is hereby amended and reenacted as follows:

Sec. 36-175. Exemption of real estate taxes on property of certain elderly or permanently and totally disabled persons.

(a) Exemption of taxation of real estate and mobile homes as defined herein below is hereby provided for qualified property owners who are not less than sixty-five (65) years of age or who are permanently and totally disabled and who are eligible therefor, pursuant to the provisions of 58.1-3210 of the Code of Virginia (1950), as amended.

(b) The exemption shall be administered by the city manager or his authorized delegates. Applications for real estate tax relief for the elderly or the permanently and totally disabled shall be filed with the commissioner of the revenue. Immediately upon approval of the application, it shall be forwarded to the department of finance for processing. The city manager is hereby authorized and empowered to prescribe, adopt and enforce rules and regulations, including the requirement of answers under oath, as would be reasonably necessary to determine qualifications for exemption.

(c) Exemptions shall be granted to persons subject to the following provisions:

(1) Effective July 1, 2002, the person claiming the exemption must on June thirtieth immediately preceding the taxable year, have held title to the property for which the exemption is claimed.

(2) The head of the household occupying the dwelling and owning title, or partial title thereto, is sixty-five (65) years or older or permanently and totally disabled on June thirtieth of the year immediately preceding the taxable year. Such dwelling must be occupied as the sole dwelling of the person or persons claiming exemptions.

(3) The gross combined income of the owner during the year immediately preceding the taxable year, from all sources, shall be determined by the commissioner of the revenue to be an amount not to exceed ~~twenty seven thousand three hundred~~ twenty three thousand dollars (\$23,000.00). Gross combined income shall include all income from all sources of the owner, spouse and of the owner's relatives living in the dwelling for which exemption is claimed except that the first four thousand dollars (\$4,000.00) of income of each relative, other than the spouse, of the owner, or owners, who is living in the dwelling, shall not be included in such total.

(4) The net combined financial worth of the owner as of June thirtieth of the year immediately preceding the taxable year shall be determined by the commissioner of the revenue to be an amount not to exceed sixty thousand dollars (\$60,000.00). Net combined financial worth shall include the value of all assets, including equitable interest, of the owner and spouse of any owner, excluding the fair market value of the dwelling and the land, not exceeding one (1) acre upon which it is situated and for which exemption is claimed, and excluding household furnishings, including furniture, household appliances and other items typically used in a home. The fair market value shall be determined by the city assessor.

(5) For the purposes of this section, the term “permanently and totally disabled” shall mean unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment or deformity which can be expected to result in death or can be expected to last for the duration of such person's life.

(6) Applicants who are both sixty-five (65) years or older and permanently and totally disabled shall be entitled to only one (1) exemption.

(7) For the purposes of this section, a mobile home means an industrialized building unit constructed on a chassis for towing to the point of use and designed to be used without a permanent foundation for continuous year-round occupancy as a dwelling; or two (2) or more such units separately towable, but designed to be joined together at the point of use to form a single dwelling, and which is designed for removal to and installation or erection on other sites.

(d) Annually, and not later than August first of the taxable year, the person or persons claiming such an exemption must file a real estate affidavit with the commissioner of the revenue; provided, however, that in the case of filing hardship, as defined by the director of finance, or first-time applicants, such applications may be filed by November fifteen of such year. Such applicants will qualify for benefits insofar as funds are then available for the tax relief program within the budget appropriation for this purpose. Such affidavit shall set forth, in a manner prescribed by the city manager, the location, assessed value of the property, and the names of the related persons occupying the dwelling for which exemption is claimed, their gross combined incomes and net financial worth. If such person is under sixty-five (65) years of age such form shall have attached thereto a certification by the Social Security Administration, the Veterans Administration, or the Railroad Retirement Board, or if such person is not eligible for certification by any of these agencies, a sworn affidavit by two (2) medical doctors licensed to practice medicine in the commonwealth to the effect that such person is permanently and totally disabled, as defined in subsection (c)(5). The affidavit of at least one of such doctors shall be based on a physical examination of such person by such doctor. The affidavit of one of such doctors may be based upon medical information contained in the records of the Civil Service Commission which is relevant to the standards for determining permanent and total disability as defined in subsection (c)(5).

If, after an audit and investigation, the commissioner of the revenue determines that the person or persons are qualified for exemption, he shall so certify the same, and immediately forward the application form to the department of finance. The director of finance shall determine the percentage of

exemption allowable, which exemption shall be deducted from the applicant's real estate tax liability. Such exemption shall be applicable only to the tax year following application therefor. Any real estate tax liability reduced by virtue of an exemption pursuant to this section shall be paid as and when due as provided by Section 36-171 of this code. If any installment of taxes due on such property shall not be paid as and when due pursuant to said Section 36-171, said installment shall at once become due and collectible with ten (10) per cent penalty computed upon the amount of adjusted taxes so due and payable. Such exemption shall remain effective for all purposes other than the amount of penalty so imposed. Interest shall be collected, as provided by Section 36-171 of this code, on taxes not paid as and when due.

(e) Amount of exemption. The director of finance shall determine the tax exemption in accordance with a schedule to be approved by the city council.

(f) Changes in respect to income, financial worth, ownership of property or other factors occurring during the taxable year for which the affidavit mentioned in paragraph (d) of this section is filed and having the effect of exceeding or violating the limitations and/or conditions provided shall nullify any relief of the tax liability for the current taxable year and the tax year immediately following.

(g) Any person or persons falsely claiming an exemption shall be guilty of a misdemeanor and upon conviction thereof may be punished as provided in Section 36-1.

2. That this ordinance shall become effective upon its adoption.

Adopted:

Certified: _____

Clerk of Council

002LOrd